

- "(i) returning surplus income to its members or workmen's compensation policyholders on a periodic basis; and
- "(ii) reducing initial premiums in anticipation of investment income."

(h) EFFECTIVE DATE.—The amendment made by this section 26 USC 501 note shall apply to taxable years ending after the date of the enactment of this Act.

## Subtitle F—Organizations Subject to Section 833

### SEC. 351. ORGANIZATIONS SUBJECT TO SECTION 833.

(a) IN GENERAL.—Section 833(c) (relating to organization to which section applies) is amended by adding at the end the following new paragraph:

"(4) TREATMENT AS EXISTING BLUE CROSS OR BLUE SHIELD ORGANIZATION.—

"(A) IN GENERAL.—Paragraph (2) shall be applied to an organization described in subparagraph (B) as if it were a Blue Cross or Blue Shield organization.

"(B) APPLICABLE ORGANIZATION.—An organization is described in this subparagraph if it—

"(i) is organized under and governed by State laws which are specifically and exclusively applicable to not-for-profit health insurance or health service type organizations; and

"(ii) is not a Blue Cross or Blue Shield organization or health maintenance organization."

(h) EFFECTIVE DATE.—The amendment made by this section 26 USC 833 note shall apply to taxable years ending after December 31, 1996.

## Subtitle G—IRA Distributions to the Unemployed

### SEC. 361. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE USED WITHOUT ADDITIONAL TAX TO PAY FINANCIALLY DEVASTATING MEDICAL EXPENSES.

(1) IN GENERAL.—Section 72(t)(3)(A) is amended by striking

"(B)".  
(2) DISTRIBUTIONS FOR PAYMENT OF HEALTH INSURANCE  
PREMIUMS OF CERTAIN UNEMPLOYED INDIVIDUALS.—

Paragraph (2) of  
section 72(f) is amended by adding at the end the  
following new  
subparagraph:

"(D) DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS  
FOR  
HEALTH INSURANCE PREMIUMS.—

"(i) IN GENERAL.—  
Distributions from an individual  
retirement plan to an individual  
after separation from  
employment.—

"(I) if such individual has  
received unemployment  
compensation for 12  
consecutive weeks under  
any Federal or State  
unemployment compensation  
law by reason of such  
separation,